

# hud NEWS

Department of Housing and Urban Development – Andrew Cuomo, Secretary  
Office of Public Affairs, Washington, DC 20410

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HUD No. 00-92  
L. Richard Keyser (202) 708-7500 x137  
Email Address: L.\_Richard-Keyser@hud.gov

FOR RELEASE  
Wednesday  
May 24, 2000

## **HUD RELEASES MAY SURVEY OF SECONDARY MARKET PRICES AND YIELDS AND INTEREST RATES FOR HOME LOANS**

WASHINGTON – The U.S. Department of Housing and Urban Development today released results of its latest survey of market conditions for fixed rate, long-term, level payment home loans as well as interest rates for home construction funds. The May 1, 2000, survey found that the most frequently quoted contract rate for HUD/FHA Section 203(b) mortgages being sold in the secondary market for immediate delivery was 8.25 percent. Typical prices for 8.25 percent contract interest rate loans produced a national average secondary market yield of 8.33. FHA secondary market yields on the most frequently quoted Section 203(b) contract rate increased just two basis points for the U.S. average.

In the FHA primary mortgage market, the average FHA effective rate for all reported primary market quotes was 8.40 percent. Lenders reported that the most frequent rate being quoted to potential FHA homebuyers for 60 days or more "lock-in" commitments was 8.25 percent with an average of 49 basis points and an effective interest rate of 8.32 percent. Average basis points for the 8.25 percent primary rate were 81 basis points in the West, 50 basis points in the Southwest, and 0 basis points in the Northeast, Middle Atlantic and North Central. The Southeast did not have any quotes for the dominant rate in May.

The national average contract rate for commitments on conventional loans for new home loans in the primary mortgage market increased 10 basis points from 8.19 percent in April to 8.29 percent for May. Existing home loans increased 6 basis points from 8.21 percent in April to 8.27 percent for May.

The proportion of HUD offices reporting an adequate supply of construction funds on May 1 was 100 percent for both FHA and conventional financings. For the trend of builders' plans, in the latest survey, the majority of builders remained in the stable building plan category for each home price class. The proportion on May 1 was 74 percent for low-priced homes, 74 percent for moderate-priced homes, and 72 percent for high-priced homes.

On May 1 the proportion of HUD Field Offices reporting a stable trend in builders' unsold inventory of new homes was 77 percent, while 16 percent noted a declining trend and only 7 percent reported an advancing situation. An advancing trend is indicative of a growing inventory of homes, meaning either over-production and/or slower new home sales. Conversely, a declining inventory of new homes indicates demand would be relatively stronger than supply. One year ago the proportion of offices reporting a stationary trend was 80 percent, a declining trend of 16 percent, and 4 percent reported an advancing trend.

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Date of next release: June 22, 2000  
The entire news release and all tables are now available on the WEB:  
<http://www.hud.gov/fha/comp/rpts/fharpts.html>